DEFENSE CONTRACT MANAGEMENT COMMAND

Management Control and Assessment Process

J. Glover, AQBC
Performance Assessment Team

Agenda

- Background
- Overview of MC Requirements
- MCAP Program and Processes
- Summary
  - Backups - MCAP & IOA Details

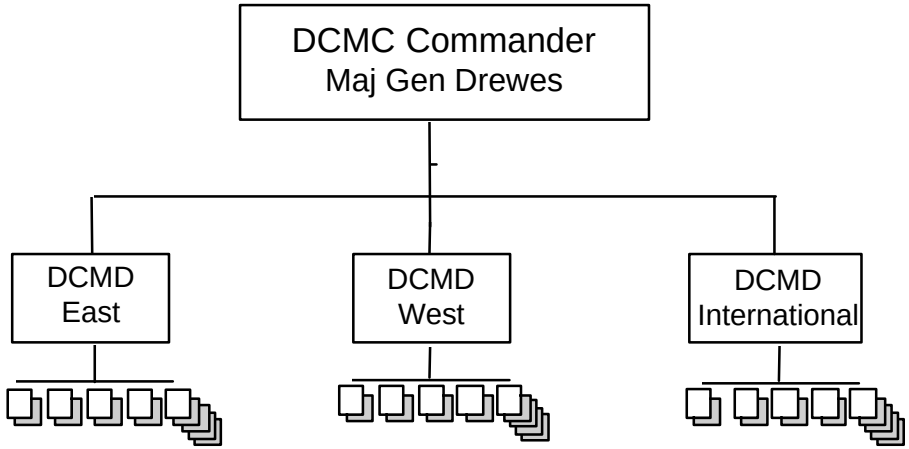
Background

1994	DCMC Chapter 9 -- Assessment Architecture Process Deployed Unit Self-Assessment Concept using DCMC Performance Improvement Criteria
JUN 95	OMB Circular A-123 Revised Management Control Program (MCP) Rescinded 1982 OMB Guidebook Emphasizes Program Results Encourages Use of Multiple Sources Continues Annual Certification of Management Controls
AUG/ SEP 96	DoDD 5010.38 MCP Policy DoDI 5010.40 MCP Procedures
OCT 96/ JAN 97	Consolidated MCP and Assessment Programs Coordinated Draft Chapter 9 with Districts & CAOs
FEB 97	Executive Council Coordination
MAR 97	Chapter 9 Approved March 11, 1997

Major Changes

OLD	NEW
IMC Program	Becomes MC Program (DoD)
Chapter 9 (Assessment)	Adds Management Control Program
USAs/IOAs	Unchanged
IMCRs	Become MCRs
Rigid 5-Yr Schedule	CAO risk-based process selection (3-yr cycle)
	CAO controls number, frequency & schedule for MCRs
	Incorporates District MCR Guides
	Adds MMRs
	Provides IOA follow-up process
	Ties together MMRs, USAs, MCRs, and IOAs in an improvement cycle that also supports the ASA

DCMC Organization



Contract Administration Offices (CAOs) and Contractors

Glossary of Terms

➢ **Management**

Planning, organizing, directing, and controlling mission (CAS), management, & administrative processes

➢ **Management Controls**

Plans, organizational structure, policies, resource allocations, reporting requirements

Delegations, manager/supervisor responsibilities, separation of duties, oversight responsibilities

➢**Operational Review**

Management Reviews, Metrics Review, Budget Reviews, Customer Feedback Analysis

➢ **Management Control Review**

Internal review of controls for adequacy, improvements, support of ASA

Performance Problems Are Not Detected Because of:

- **Control Inadequacy (One Book, other regs)**
- **Poor execution of controls**

OMB/DoD Overview

- **Purpose**
  - **Accountability for *Program Performance***
  - **Implementation, Monitoring and Improvement of Management Controls**
  - **Encourage integration of multiple *"Sources of Information"***
  - **Provide Reasonable Assurance of:**
    - ***Successful programs***
    - **Lawful obligations & costs**
    - **Protection of assets**
    - **Regulatory compliance**
    - **Integrity and ethical behavior**
    - **Prompt resolution of deficiencies & findings**

Drivers

OMB

➢ **Agencies & Federal Managers must take systematic and proactive measures to:**

(1) Develop & implement appropriate, cost-effective management controls for results-oriented management.

(2) Assess the adequacy of MCs in Federal programs & operations.

(3) Identify needed improvements.

(4) Take corresponding corrective action.

(5) Report annually on MCs.

➢**The agency head's assessment of MCs can be performed using a variety of information sources. Use of a source of information should take into consideration whether the process included on evaluation of MCs.**

➢**"If a Federal Manager determines that there is insufficient information available upon which to base an assessment of management controls, then appropriate reviews should be conducted which will provide such a basis."**

Drivers

DoD

➢ **"Address all significant operations and mission responsibilities and not limit evaluations to operations applicable to the financial management community."**

➢ **"Provide reasonable assurance that 31 USC 3512 and OMB-123 objectives are met."**

➢ **"Establish a MC process including:**

- **➢Develop internal reporting and tracking capabilities ensuring periodic evaluations of MCs and maintain appropriate documentation**
- **➢Process to identify MC weaknesses should include, but not be limited, to audits, inspections, investigations, management assessments, creditable information of non-governmental origin, staff meetings, and MC evaluations.**

➢ **Senior management councils for assessing and monitoring MC efforts are encouraged.**

➢**Management control evaluations ... should have some reasonable, cost-effective, testing aspect associated with it.**

Drivers

DoD - Continued

➢**Annual Statement of Assurance:**

Statement on whether there is reasonable assurance that controls are achieving their intended objectives

➢**Deficiency Reporting:**

To next level if of interest at that level
Determined by chain of command
Serious (material weakness) with ASA

DCMC

➢ **Objectives:**

Comply with OMB/DoD Requirements
Internal Standardization
Refine Assessment Processes
Stakeholder/Customer satisfaction

Framework for MCAP Program

Glossary Term	Focus	DCMC
Management	Planning Organizing Directing Controlling	Executive Leadership Various Councils Command & Staff Relationships
Management Controls	Plans Organization Structure Policies Resource Allocations	Business/Performance Plans Mission Charters One book, etc. Budget/FTE Documents
Operational Review	Performance Results	Management Reviews Metrics Budget Reviews Customer Feedback
Management Control Review	Multiple Sources Review for: Adequacy Improvements Support to ASA	Chapter 9, MCAP Ties in all of the above to the Annual Statement

MCAP Approach

- **DCMC's MCAP program combines management control and quality improvement principles**

- **Goal:**

  To create a participatory and continuous improvement atmosphere throughout the Command while maintaining insistence on standardization and performance relative to our process infrastructure

Major Elements

➢ **Integrates four major elements:**

1 - Self-assessment at all levels

2 - Management reviews at all levels

3 - Limited centralized oversight

4 - Cross-organizational management control certification

1 - Self-Assessment

➢ **Unit Self-Assessment (USA)**

Annualized Event

Based on DLA Performance Improvement Criteria

➢ **Management Control Review (MCR)**

Review of a Mission, Management or Administrative Process

Based on DCMC Management Control Review Criteria

Risk-Based, Single Process Focus
10-12 per year

Review Work Practices/Results Against Process and Management Control Requirements

Evaluate and Test Control Reliability

1 - Self-Assessment

➢ **Unit Self-Assessment Report**

- Leadership
- Planning
- Customer & Market Focus
- Information and Analysis
  - Data Selection & Performance Review
- Human Resource Development & Management
  - Education & Training, Employee Satisfaction
- Process Management
- Results
  - Customer, Financial, HR, Supplier/Partner & Mission Areas

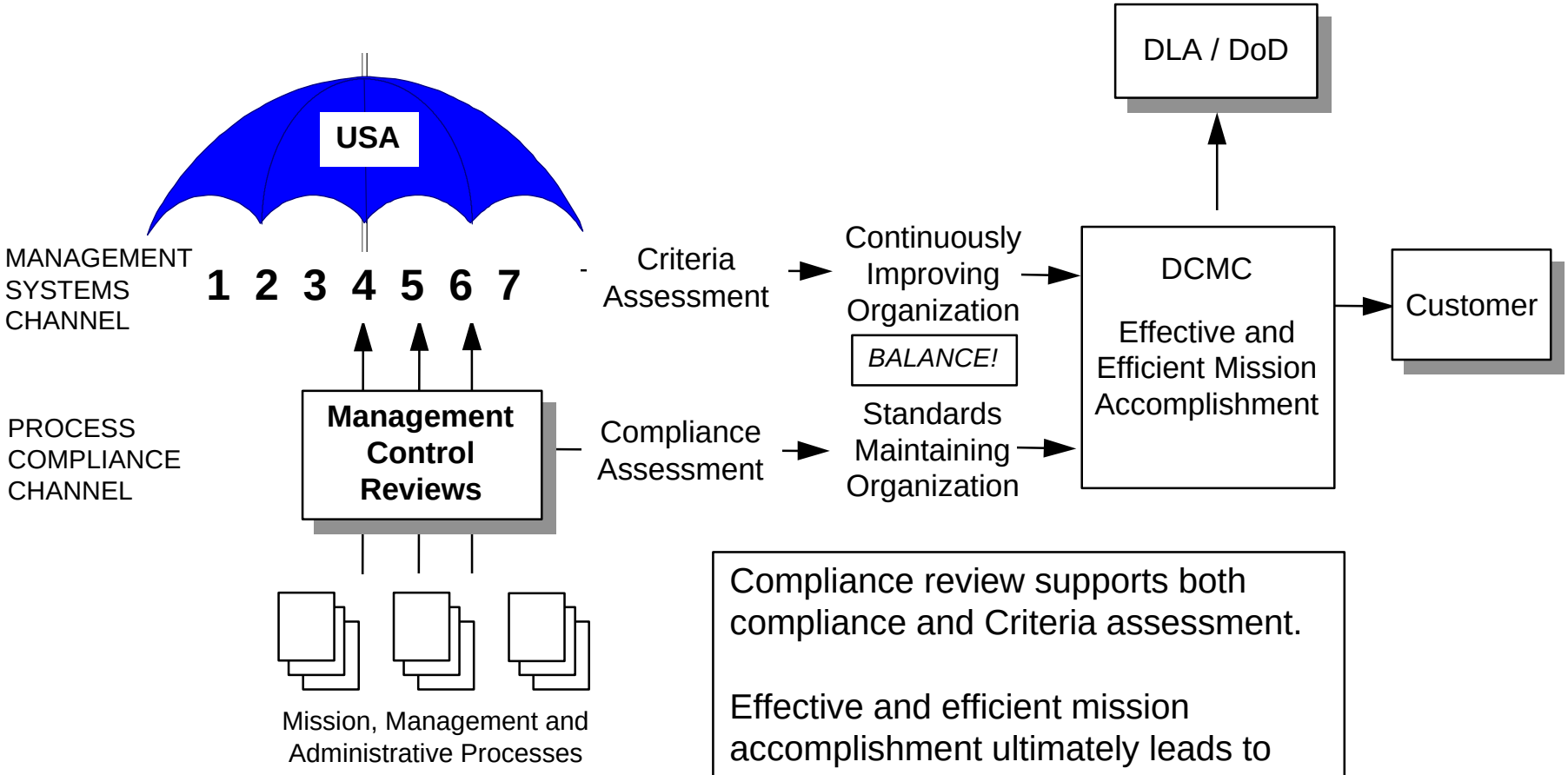
Internal Document

➢ **Management Control Review Report**

- Organization Structure
- Delegation & Separation of Duties
- Policies & Procedures
- Resource & Records Protection
- Checks & Balances
- Ethics & Conflicts of Interests
- Overall Assurance of Process Effectiveness

MCRs Can Be a "Sound, Systematic Approach" to Maintaining Performance of Core Processes
(1997 PIC Item 6.1) (b) (2&3))

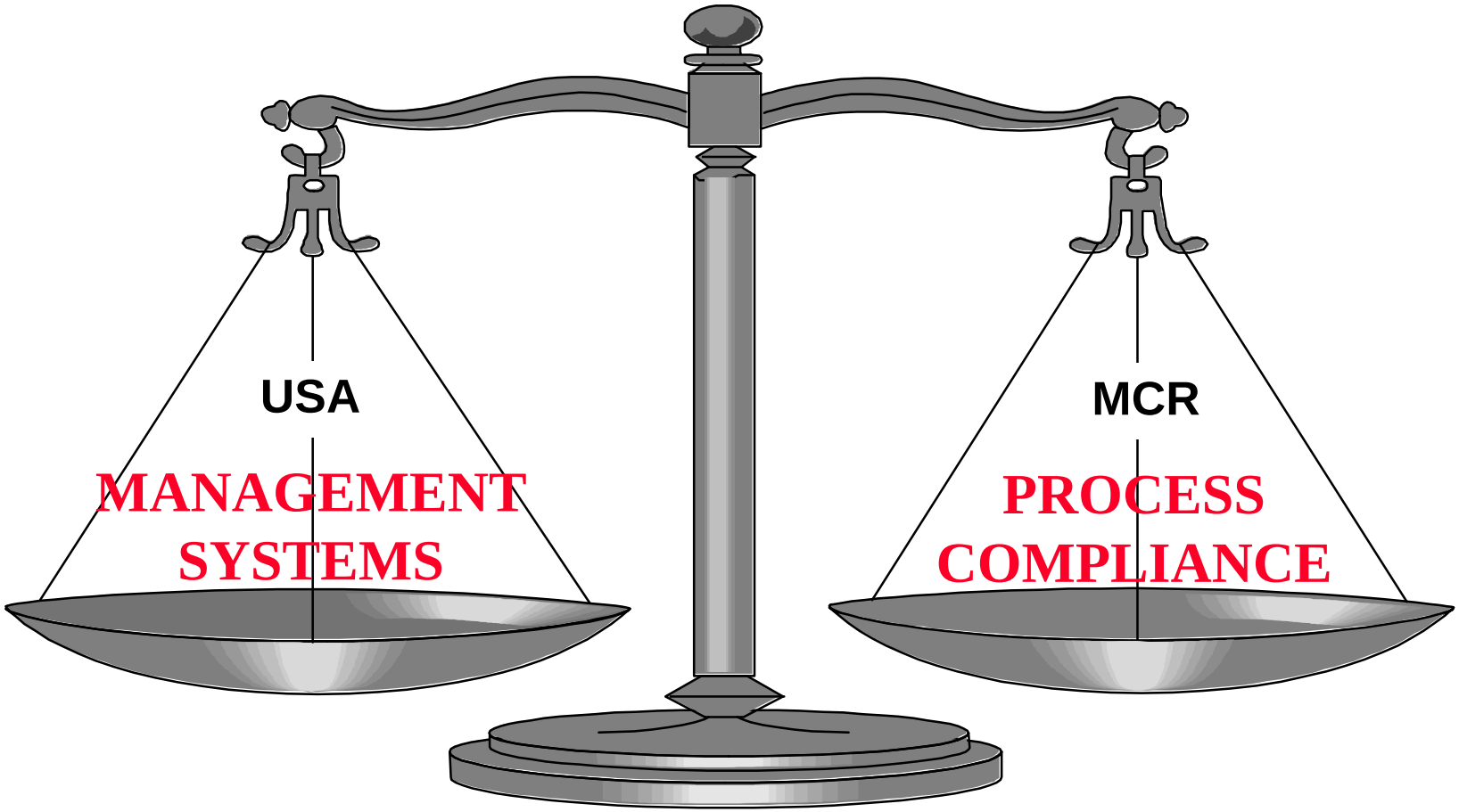
1 - Dual Self-Assessment Channels



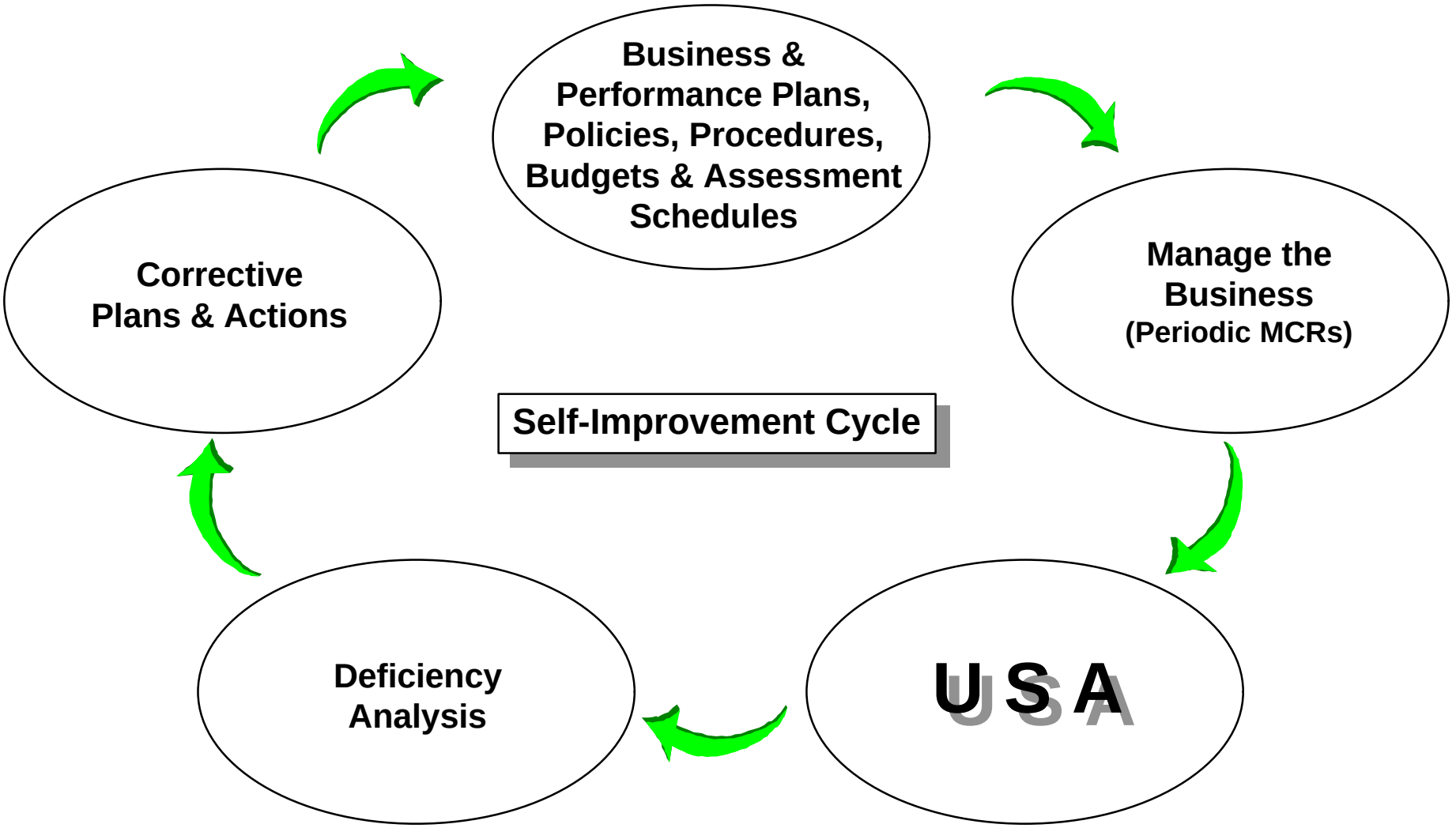
Compliance review supports both compliance and Criteria assessment.

Effective and efficient mission accomplishment ultimately leads to stakeholder and customer satisfaction.

1 - Self-Assessment Balance



1 - Self-Improvement Cycle



2 - Management Reviews

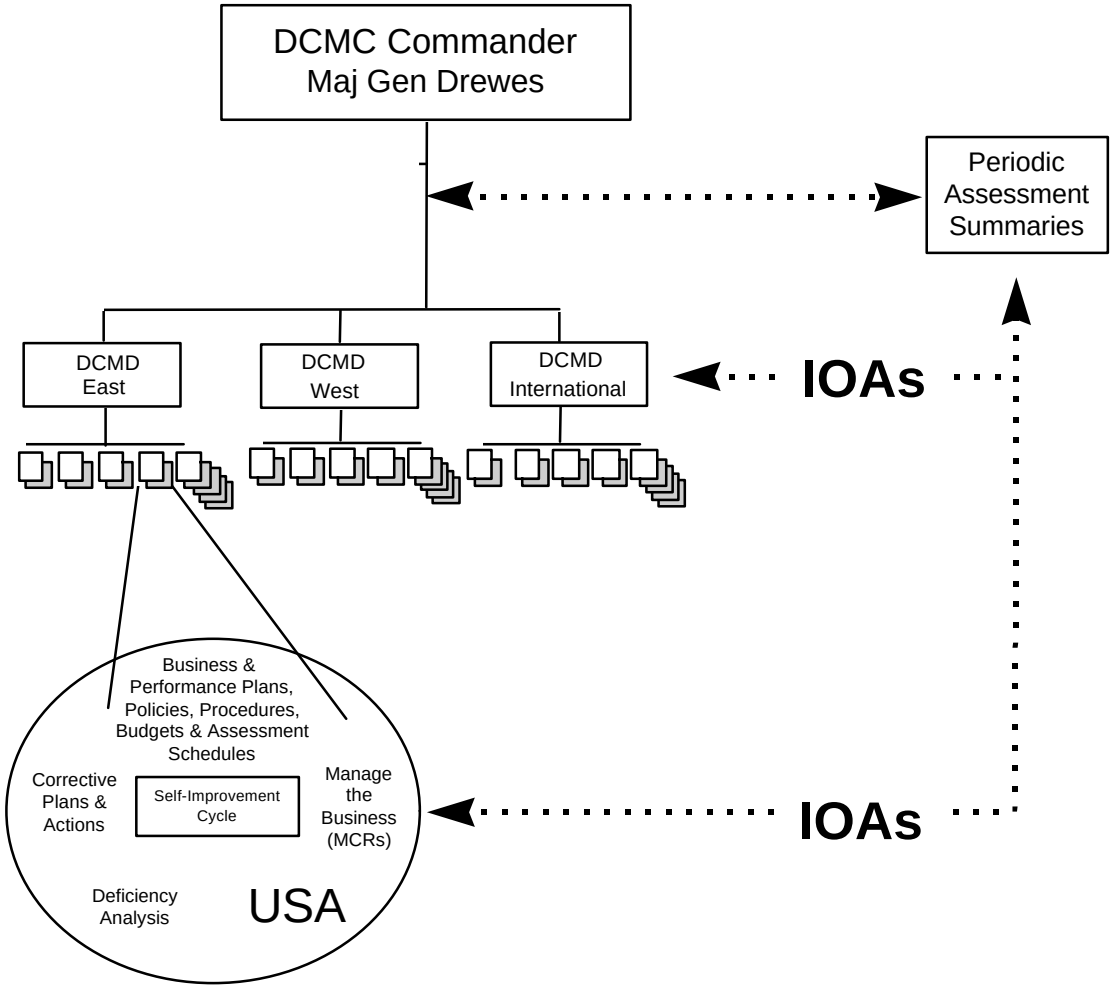
All Levels (CAOs, Districts, Headquarters)

- **Monthly**
  - **Metrics**
  - **Performance Plan & USA Progress**
  - **MCR Reports**

DCMC HQ

- **Executive Team**
  - **Meets Daily**
- **Management Team**
  - **Meets Periodically**
- **Executive Council**
  - **Meets Monthly**
  - **MMRs**
- **RUC**
  - **Meets Monthly**

3 - Limited Oversight



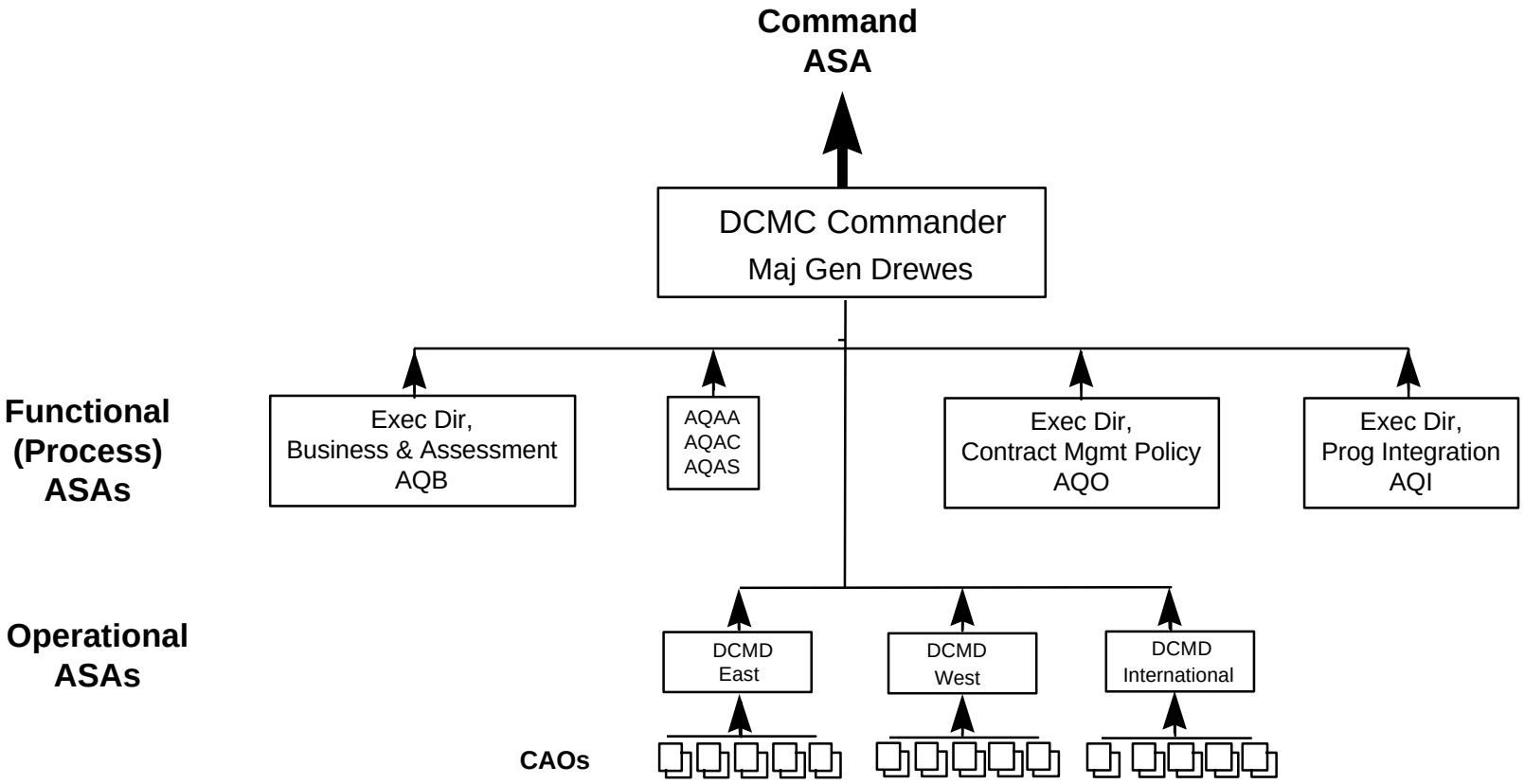
Internal Operations Assessment (IOA)

Command-Wide Management Control Review Process

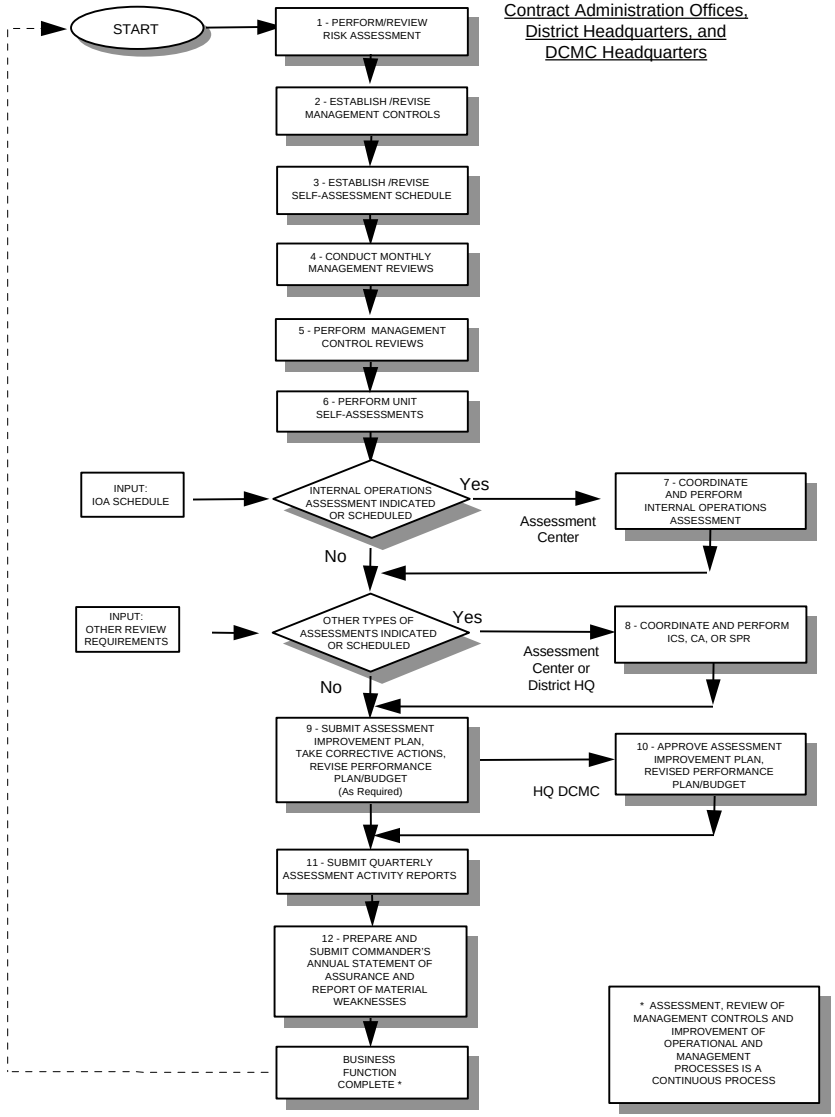
3 - IOA Approach

Method	Standards	Objective
On-Site Validation of **MCRs & USA**	→ ***One Book*** **Processes** + **Performance Improvement Criteria**	→ **Assess Reliability of Mission, Management & Administrative Systems & Processes**

4 - Annual Statements of Assurance



MCAP


START
1 - PERFORM/REVIEW RISK ASSESSMENT
Contract Administration Offices, District Headquarters, and DCMC Headquarters
2 - ESTABLISH /REVISE MANAGEMENT CONTROLS
3 - ESTABLISH /REVISE SELF-ASSESSMENT SCHEDULE
4 - CONDUCT MONTHLY MANAGEMENT REVIEWS
5 - PERFORM MANAGEMENT CONTROL REVIEWS
6 - PERFORM UNIT SELF-ASSESSMENTS
INPUT: IOA SCHEDULE
INTERNAL OPERATIONS ASSESSMENT INDICATED OR SCHEDULED
Yes
Assessment Center
7 - COORDINATE AND PERFORM INTERNAL OPERATIONS ASSESSMENT
No
INPUT: OTHER REVIEW REQUIREMENTS
OTHER TYPES OF ASSESSMENTS INDICATED OR SCHEDULED
Yes
Assessment Center or District HQ
8 - COORDINATE AND PERFORM ICS, CA, OR SPR
No
9 - SUBMIT ASSESSMENT IMPROVEMENT PLAN, TAKE CORRECTIVE ACTIONS, REVISE PERFORMANCE PLAN/BUDGET (As Required)
HQ DCMC
10 - APPROVE ASSESSMENT IMPROVEMENT PLAN, REVISED PERFORMANCE PLAN/BUDGET
11 - SUBMIT QUARTERLY ASSESSMENT ACTIVITY REPORTS
12 - PREPARE AND SUBMIT COMMANDER'S ANNUAL STATEMENT OF ASSURANCE AND REPORT OF MATERIAL WEAKNESSES
BUSINESS FUNCTION COMPLETE *
* ASSESSMENT, REVIEW OF MANAGEMENT CONTROLS AND IMPROVEMENT OF OPERATIONAL AND MANAGEMENT PROCESSES IS A CONTINUOUS PROCESS

Resources

- DCMC Home page (http://www.dcmc.dcrb.dla.mil)
  - Reference Information (Link)
    - DCMC's One Book (Link)
      - **“Download Win1Book”**
    - DCMC Teams (Link)
      - Performance Assessment Team (AQBC) (Link)
        - **Policy Letter 97-03, March 11, 1997 (Link)**
        - **"One Book Part II, Chapter 9, MCAP"**
        - **"DCMC Management Control Review Criteria"**
        - **DLA Performance Improvement Criteria (Link)**
        - **"Criteria Review"**
        - **"Assessment Center Schedule"**
        - **"Performance Assessment Team POCs**
- **BASE97 Assessment Software (Letter: Nov 11, 1996)**

Summary

- Integrates four major elements:
  - 1 - Self-assessment at all levels (MCRs/USAs)
  - 2 - Management reviews at all levels (MMRs)
  - 3 - Limited centralized oversight (IOAs)
  - 4 - Cross-organizational management control certification (ASAs)

BACKUPS

MCAP

Block One - Perform/Review Risk Assessment

- **Risk Assessment**
  - **Decentralized to Organization Level (CAO)**
  - **Maximum three year cycle (Annual Review)**
  - **Mission, management, & administrative processes**
  - **Follows MCR Criteria Guidebook**
  - **Qualitative basis**
    - **Senior leaders/managers, judgmental evaluation**
    - **Contractor risk, potential loss, potential savings**
  - **High/Medium/Low**
    - **Supported by Metrics, PBRA and PROCAS**

MCAP

Block Two - Establish/Revise Management Controls

- **Command and Senior Levels**
  - **Planning and budgeting systems**
  - **Policies and procedures**
  - **Assessment programs**
  - **Review of aggregate operational and performance results**
  - **Disciplinary authority**
- **Middle Management**
  - **Separation of duties**
  - **Review of operational and performance results**
  - **Personnel evaluations**
- **Supervisors**
  - **Review of work-in-process**
  - **Sampling of work at completion**
  - **Comparison of work hours against standards**

MCAP

Block Three - Establish/Revise Self-Assessment Schedule

Prepare Annual Schedule for
- **MCRs**
- **USAs**

Include External Reviews
- **GAO, DoD, etc.**

Block Four - Conduct Monthly Management Reviews (MMRs)

Metrics data
MCR reports & progress
Performance plan progress
USA progress

MCAP

Block Five - Perform MCRs

Evaluate mission, management and administrative processes using Exhibits from the MCRC Guidebook

Requires appropriate testing and documentation of findings

Must be sufficient to support ASA

TAG involvement envisioned

May not be conducted by associates or immediate supervisors

MCAP

Block Six - Perform USAs

Single, once a year process or incremental process

To PIC Item level (7 categories, 20 items, 30 areas)

Block Seven - Coordinate and Perform IOAs

Assessment Center

Three year cycle

Block Eight - Perform Other Assessments

ICS, CA, SPR (As required basis)

MCAP

Block Nine - Improvement Plan (IOAs/SPRs), Corrective Actions, Revise Performance Plan

Address all Serious, Major and Minor concerns
Minors may be grouped

Address overarching improvements

Improvement actions, correct locally if able

Revise Performance Plan / budget if necessary

Forward for District review and recommendations to HQ

MCAP

Block Ten - Approve Improvement Plan

HQ approves improvement plan

Everybody

- **Provides assistance as appropriate**

District

- **Monitors execution, validates progress and closure**

Follow-up visits by Assessment Center

- **When appropriate**

MCAP

Block Eleven - Quarterly Assessment Activity Reports

Quarterly schedule plus

- **Comments on changes**
- **Show completed events (MCRs, USAs, etc.)**

MCAP

Block Twelve - Annual Statement of Assurance

Submitted by

- **CAO Commanders**
- **District Commanders**
- **Executive Directors, Directors, and Staff Directors**
- **DLA/MMP**
- **DCMC Commander to Director DLA**

District & HQs Staff ASAs by August 31

- **with supporting CAO ASAs**

Form of Statement

- **Unqualified, Qualified, or Negative with**
  - **Report of MC Weaknesses (if needed)**

IOA MCAP Guidelist

MCAP Program Execution

- Risk Assessment Documentation
- Self-Assessment Schedule
  - MCRs/USA
- MMRs, documentation, follow-up actions
- MCRs
  - Thoroughness, independence, documentation, follow-up actions
- USAs
  - Objectivity, gap identification, follow-up actions
- Quarterly Assessment Activity Reports
- ASA

Adequacy of Management Controls

- By inference from process observations
- Address in Category 6, Process Management

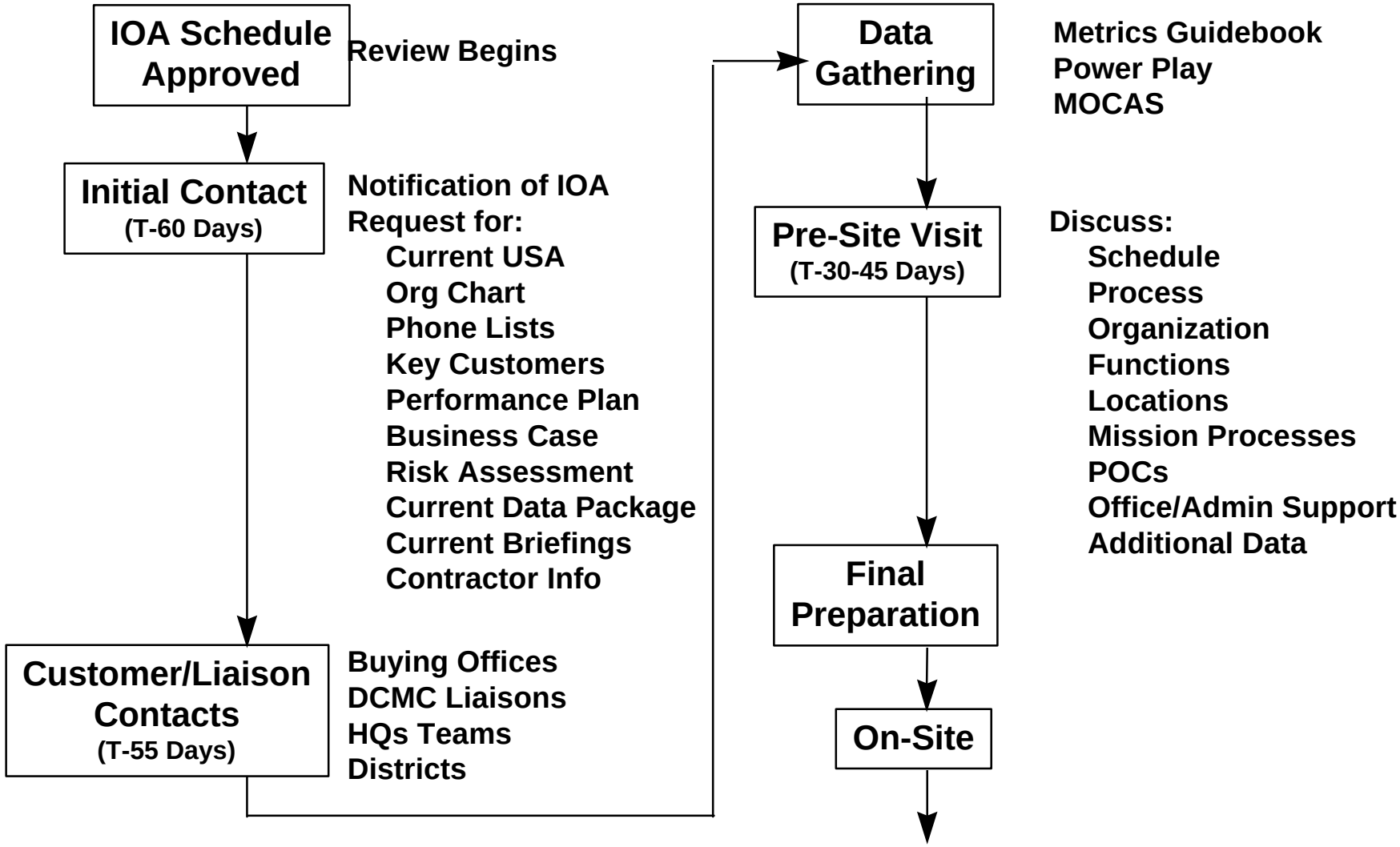
IOA Process

Begins with Self-Assessment

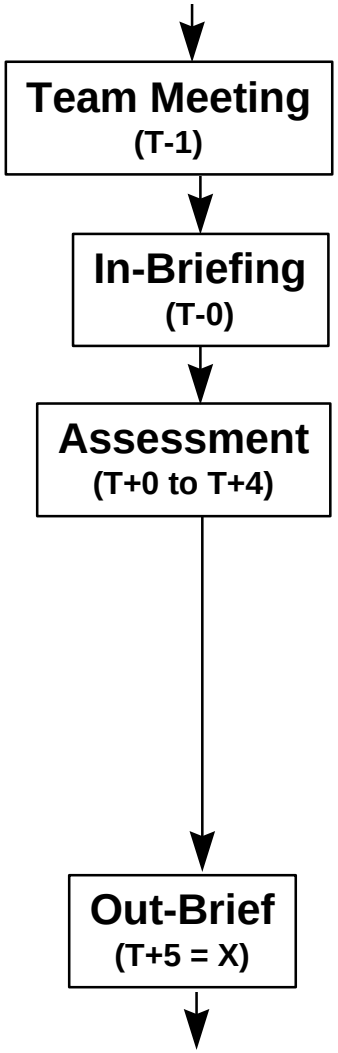
1- Periodic Management Control Reviews (MCRs)

2- Annual Unit Self-Assessment

Pre-Site


IOA Schedule Approved
Review Begins
Initial Contact
(T-60 Days)
Notification of IOA
Request for:
Current USA
Org Chart
Phone Lists
Key Customers
Performance Plan
Business Case
Risk Assessment
Current Data Package
Current Briefings
Contractor Info
Customer/Liaison Contacts
(T-55 Days)
Buying Offices
DCMC Liaisons
HQs Teams
Districts
Data Gathering
Metrics Guidebook
Power Play
MOCAS
Pre-Site Visit
(T-30-45 Days)
Discuss:
Schedule
Process
Organization
Functions
Locations
Mission Processes
POCs
Office/Admin Support
Additional Data
Final Preparation
On-Site

On-Site



Hotel

Standards:
- PIC/USA
- DLAD 5000.4

Process:
- Interviews
- Obs Record
- Story Board

Meetings:
- Team Late p.m.
- CAO a.m.

Informal
Based on Story Board
Feedback Form

Back Home

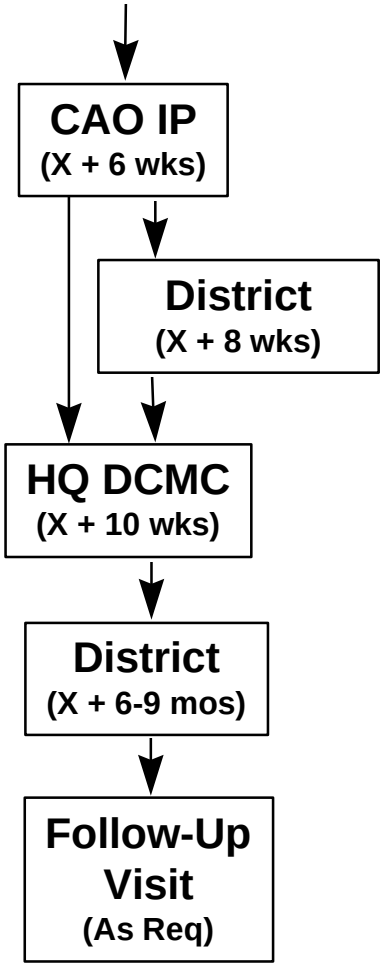
Briefings

- Commander
- Executive/Ops Teams

Final Report
(X + 3 wks)

- Executive summary
- Functional Summaries
  - Business
  - Technical
  - Management
- Observation Records

Improvement Plan



Address Minor, Major & Serious Concerns

Comments/ Recommendations

Approval
- **Coordinated with AQO/AQB and the Assessment Team Leader**

Monitor Progress

Summary

Chapter 9 with MCRC Guidebook

Integrates Management Control and Assessment Programs

Delegates MCR process selection & scheduling to CAO

Provides IOA follow-up process

Ties together MMRs, USAs, MCRs, and IOAs in an improvement cycle that also supports the ASA